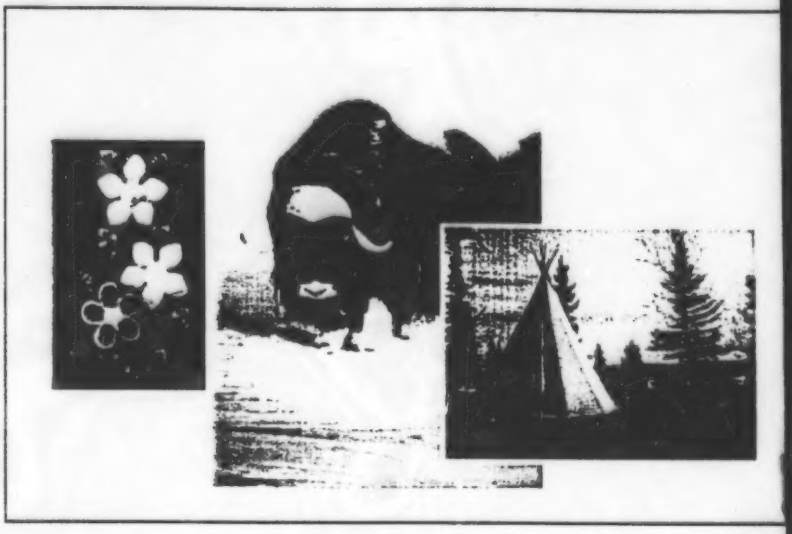
Northwest Territories Development Corporation

Annual Report 1995/96



Northwest Territories
Development Corporation

102-02089/

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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Northwest Territories Minister of Resources, Wildlife and Economic Development

LETTER OF TRANSMITTAL

The Honorable Dan Marion
Commissioner
Government of the Northwest Territories

Dear Sir:

I have the honor of presenting the Annual Report for the Northwest Territories Development Corporation, covering the period April 1, 1995 to March 31, 1996.

Sincerely,

Stephen Kakfwi
Minister Responsible for the
Northwest Territories Development Corporation

Government of the Northwest Territories, Yellowknife, NT Canada X1A 2L9 Fax:(403) 873-0110

Northwest Territories
Development Corporation

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

REPORT OF THE BOARD OF DIRECTORS FOR 1995/96

Honorable Stephen Kakfwi
Minister Responsible for the Northwest Territories Development Corporation

I am pleased to submit the annual report of the Northwest Territories Development Corporation for the 1995/96 fiscal year.

We thank you and your staff for the cooperation extended to us during this fiscal year.

On behalf of the Board,

Bob Leonard
Chairman

NWT Development Corporation • Suite 701 5201-50th Avenue • Yellowknife NT X1A 3S9 • Tel: (867) 920-7700 • Fax: (867) 920-7701

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

The Northwest Territories Development Corporation is a Crown corporation established by the Northwest Territories Development Corporation Act of 1990. It is owned by the Government of the Northwest Territories, represented by the Minister of Resources, Wildlife and Economic Development. A Board of Directors appointed by the Executive Council directs the business of the Corporation.

The objectives of the Corporation are:

(a) to incorporate, establish and carry on the business of companies and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to:
   (i) create employment and income for residents of the Territories, primarily in small communities,
   (ii) stimulate growth of businesses in the Territories, and
   (iii) promote economic diversification and stability; and

(b) to invest in business enterprises in order to:
   (i) stimulate growth of business in the Territories, and
   (ii) promote economic diversification and stability; and

(c) to promote the economic objectives of the Government of the Northwest Territories.

The Corporation's head office is located in Yellowknife, NT

The Corporation's Board of Directors are:

Bob Leonard	Chairperson
Ernie Daniels	Vice-Chairperson
Jerry Ell	Director
Pat Lyall	Director
Eddie Dillon	Director
Robert Borrelli	Director
Dan Marion	Director

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

SUMMARY OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 1996

As at March 31, 1996, the Northwest Territories Development Corporation wholly or partially owned investments in twenty subsidiaries and eleven joint venture companies. The original investment in the subsidiaries was $17.140 million; and after amortization, the current net book value is $4.713 million. The original investment in joint venture companies was $3.383 million. Of this, $2.424 has been set aside for losses; leaving a net book value of $958 thousand.

During the fiscal year ended March 31, 1996, the Corporation generated gross sales of $6.365 million and incurred a net loss before government contributions of $12.023 million that includes non-cash amortization amounts of $5.720 million.

The Government of the Northwest Territories made $5.597 million in contributions to the subsidiary and venture companies. The net loss of the Corporation for 1995/96 was $6.426 million.

The subsidiaries in which the Northwest Territories Development Corporation either owns wholly or is the major shareholder, as at March 31,1996 are:

Keewatin Meat & Fish Ltd.	Rankin Inlet
Kitikmeot Foods Ltd.	Cambridge Bay
Pangnirtung Fisheries Ltd.	Pangnirtung
933261 NWT Ltd.	Whale Cove
Ivalu Ltd.	Rankin Inlet
Jessie Oonark Ltd.	Baker Lake
Uqqurmiut	Pangnirtung
Taluq Designs Ltd.	Taloyoak
913044 NWT Ltd.	Fort McPherson
Aklavik Furs Ltd.	Aklavik
Tuktoyaktuk Furs Ltd.	Tuktoyaktuk
Acho Dene Crafts ltd.	Fort Liard
Beaufort-Delta Crafts Ltd.	Mackenzie Delta
Great Slave Lake Forest Products Ltd.	Fort Resolution
Northern Forest Products Ltd.	Fort Resolution
Nahanni Butte General Store Ltd.	Nahanni Butte
Rae Lakes General Store Ltd.	Rae Lakes
Arctic Canada Foods Ltd.	Yellowknife
Arctic Canada Gift Boutique Ltd.	Toronto
Arctic Canada Wholesale Ltd.	Yellowknife

The Northwest Territories Development Corporation has investments in the following venture companies as at March 31,1996:

Loan receivable:	
Uqqurmiut Inuit Artist Association	Pangnirtung
Investments in preferred shares:	
NCSTV Waterworks Ltd.	Yellowknife
Marathon Waterworks Ltd.	Hay River
953801 NWT Ltd Commercial building)	Rae-Edzo
175119 Canada Ltd. (Norweta)	Yellowknife
923848 NWT Ltd. (Branson's Lodge)	Yellowknife
902848 NWT Ltd. (Great Bear Lake Lodges)	Yellowknife
933273 NWT Ltd. (West Baffin Coop)	West Baffin
Wekweti Development Corporation	Wekweti
Red River Incorporated Ltd.	Tsiigetchic
Investments in common shares:	
Kakivak Fisher Foods Ltd.	Arviat
Marathon Waterworks	Hay River

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 1996

Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

January 30, 1998

To the Minister Responsible for the
Northwest Territories Development Corporation

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Where appropriate, the preparation of financial information includes estimates and judgements based on careful consideration of information available to management.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation.

The Board of Directors, through the Audit Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees management's responsibilities for financial reporting. The Audit Committee meets with management to discuss the financial reporting process as well as accounting and reporting issues. The external auditors have full and free access to the Audit Committee.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. He also considers whether transactions which come to his notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.

Glenn Sóloy
President

Kerry Gavan

Kerry Gavan
Comptroller

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 1996 **Page**

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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of
Resources, Wildlife, and Economic Development

I have audited the consolidated balance sheet of the Northwest Territories Development Corporation as at March 31, 1996 and the consolidated statements of operations, deficit and contributed equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and its wholly owned subsidiaries and the consolidated financial statements are in agreement therewith and, except for over expenditures of $747,320 which are not in compliance with Sub-section 16 (4) the *Northwest Territories Development Corporation Act* as described in Note 3, the transactions of the Corporation and its wholly owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Development Corporation Act, the Northwest Territories Companies Act* and the by-laws of the Corporation and its wholly owned subsidiaries.

Donald M. Young, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
30 January 1998

Northwest Territories Development Corporation

Consolidated Statement of Operations

For the years ended March 31,	1996	1995
Revenue		
Sales	$ 6,365,383	$ 7,293,593
Cost of goods sold	6,731,185	6,678,436
Gross margin	(365,802)	615,157
Interest revenue	176,026	254,975
Other income	190,615	187,312
	839	1,057,444
Expenses		
Selling and administrative (Schedule 1)	6,257,366	5,747,835
Amortization	5,719,672	4,365,281
Provision for loss on investments	73,600	168,000
Business development	98,523	128,616
	12,149,161	10,409,732
Net loss from operations	(12,148,322)	(9,352,288)
Other items		
Minority interest	(125,000)	(225,300)
Net loss before government contributions	(12,023,322)	(9,126,988)
Government contributions (Note 4)	5,597,183	3,866,442
Net loss	$ (6,426,139)	$ (5,260,546)

Northwest Territories Development Corporation

Consolidated Statement of Deficit and Contributed Equity

For the years ended March 31,	1996	1995
Deficit		
Balance, beginning of year	$ (11,432,905)	$ (6,172,359)
Net loss	(6,426,139)	(5,260,546)
Balance, end of year	**$ (17,859,044)**	**$ (11,432,905)**
Contributed Equity - Capital Investments		
Balance, beginning of year	$ 20,817,298	$ 17,543,770
Contribution from Government of the Northwest Territories	712,780	3,273,528
Balance, end of year	**$ 21,530,078**	**$ 20,817,298**
Contributed Equity - Venture Investments		
Balance, beginning of year	$ 3,797,890	$ 3,762,445
Contribution from Government of the Northwest Territories	361,786	35,445
Balance, end of year	**$ 4,159,676**	**$ 3,797,890**

Northwest Territories Development Corporation

Consolidated Balance Sheet

As at March 31,	1996	1995
Assets		
Current		
Cash	$ 636,934	$ 2,211,658
Accounts receivable	1,010,409	1,476,902
Due from the Government of the Northwest Territories	75,000	7,0[illegible]
Deferred contributions (Note 5)	1,152,178	1,536,2[illegible]
Inventory	3,362,950	2,426,87[illegible]
Deposits and prepaid expenses	64,577	198,404
	6,302,048	7,857,181
Reserve funds (Note 6)	422,858	559,414
Venture investments (Note 7)	958,375	737,625
Capital assets (Note 8)	4,712,993	7,709,279
	$ 12,396,274	$ 16,863,499
Liabilities		
Current		
Bank indebtedness (Note 9)	$ 1,190,000	$ 665,000
Accounts payable and accrued liabilities	2,092,291	1,670,130
Deferred revenue - GNWT	356,508	-
Deferred subsidy contribution from Government of the Northwest Territories	248,796	676,458
	3,887,595	3,011,588
Equity		
Government of the Northwest Territories		
Contributed surplus (Note 10)	677,969	669,628
Contributed equity - Capital Investments	21,530,078	20,817,298
Contributed equity - Venture Investments	4,159,676	3,797,890
Deficit	(17,859,044)	(11,432,905)
	7,830,710	13,182,283
	8,508,679	13,851,911
	$ 12,396,274	$ 16,863,499

Approved by the Board

Bob Leonard
Chairman of the Board

Ernie Daniels
Chairman of the Audit Committee

Northwest Territories Development Corporation

Consolidated Statement of Changes in Financial Position

For the years ended March 31,	1996	1995
Operating activities		
Net loss	$ (6,426,139)	$ (5,260,546)
Items not requiring cash		
Amortization	5,719,672	4,365,281
Minority interest	-	(225,300)
Provision for loss on investments	73,600	168,000
Change in non-cash operating working capital (Note 11)	759,078	(19,004)
Cash for operating activities	126,211	(971,569)
Financing activities		
Contribution from the Government of the Northwest Territories	646,904	3,352,833
Contributed surplus	8,341	-
Cash from financing activities	655,245	3,352,833
Investing activities		
Venture investments	(294,350)	(258,000)
Capital assets	(2,723,386)	(3,304,657)
Cash for investing activities	(3,017,736)	(3,562,657)
Decrease in cash	(2,236,280)	(1,181,393)
Cash, beginning of year	2,106,072	3,287,465
Cash, end of year	$ (130,208)	$ 2,106,072
Represented by		
Cash	$ 636,934	$ 2,211,658
Reserve funds	422,858	559,414
Bank indebtedness	(1,190,000)	(665,000)
	$ (130,208)	$ 2,106,072

1. Authority and Operations

(a) Authority

The Corporation is a Crown corporation of the Government of the Northwest Territories and operates under the authority of the Northwest Territories Development Corporation Act which came into effect August 24, 1990 and the Financial Administration Act.

(b) Operations

The Corporation directly invests in or operates business enterprises in accordance with the economic objectives of the Government of the Northwest Territories through equity investments, loans and subsidies. These economic objectives are to create employment and income opportunities for residents of the Northwest Territories, primarily in small communities, to stimulate growth of businesses in the Northwest Territories and to promote economic diversification and stability. It is the intention of the Corporation to divest itself of its subsidiary investments once the subsidiary has attained a sustainable level of profitability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government of the Northwest Territories continuing contributions for operations and investments.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to section 27 of the Northwest Territories Development Corporation Act. Furthermore, the Corporation and its subsidiaries are exempt from federal income taxes, pursuant to Paragraph 149(1)(d) of the Income Tax Act (Canada).

(e) Division

On April 1, 1999, the Northwest Territories will be divided and Nunavut Territory will be established. At this time the actual impact on the Northwest Territories Development Corporation has not been determined. It is anticipated that the assets and liabilities of the Corporation will be divided based on geographical and other criteria as agreed by both the Government of Nunavut and the Government of the Western Territory.

2. Accounting Policies

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 1996 these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Arctic Foods			
Keewatin Meat & Fish Ltd.	Rankin Inlet, NWT	100%	October 2, 1992
Kitikmeot Foods Ltd.	Cambridge Bay, NWT	100%	April 9, 1992
Pangnirtung Fisheries Ltd.	Pangnirtung, NWT	51%	September 11, 1992
933261 N.W.T. Ltd.	Whale Cove, NWT	100%	February 1, 1993
Light Manufacturing			
913044 N.W.T. Ltd. (Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Ivalu Ltd.	Rankin Inlet, NWT	100%	October 2, 1992
Jessie Oonark Ltd.	Baker Lake, NWT	100%	September 25, 1991
Aklavik Furs Ltd.	Aklavik, NWT	100%	January 16, 1995
Tuktoyaktuk Furs Ltd.	Tuktoyaktuk, NWT	100%	January 16, 1995
Fine Arts and Souvenirs			
Acho Dene Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Beaufort-Delta Crafts Ltd.	MacKenzie Delta,NWT	100%	September 7, 1993
Uqqurmiut (1993) Ltd.	Pangnirtung, NWT	51%	March 1, 1994
Taluq Designs Ltd.	Taloyoak, NWT	100%	April 12, 1995
Lumber			
Great Slave Lake Forest Products Ltd.	Fort Resolution, NWT	100%	December 13, 1993
Northern Forest Products Ltd.	Fort Resolution, NWT	100%	September 7, 1993
Wholesale/Retail Stores			
Arctic Canada Foods Ltd.	Yellowknife, NWT	100%	November 24,1993
Arctic Canada Gift Boutique Ltd.	Toronto, ON	100%	October 2, 1992
Arctic Canada Wholesale Ltd.	Yellowknife, NWT	100%	September 7, 1993
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992

These statements include the assets and liabilities of the above named subsidiaries as at December 31, 1995 and the results of their operations for the year then ended and the assets, liabilities and equity of the Northwest Territories Development Corporation as at March 31, 1996 and the results of its operations for the year then ended. No significant events took place between the subsidiaries' year end and that of the parent.

2. Accounting Policies (continued)

(a) Principles of Consolidation (continued)

On June 10, 1995 Nahanni Butte General Store Ltd. issued 24 Class "A" common shares and on February 19, 1996 issued 25 Class "A" common shares to a third party for a 49% share in the company.

On March 6, 1996 Jessie Oonark Ltd. ceased operations and leased out its premises.

Beaufort-Delta Crafts Ltd. ceased active operations at December 31, 1994.

Northern Forest Products Ltd. ceased active operations at January 1, 1996.

933261 NWT Ltd. changed from lumber operations to food operations and is a fish receiving facility.

The subsidiaries changed their year end from December 31st to March 31st, effective March 31, 1997.

(b) Cash

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-2 or better from the Dominion Bond Rating Service or A-3 or better from the Canadian Bond Rating Service. The Corporation's investment yield at March 31, 1996 was 5.83%. (1995: 7.71%)

(c) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

(d) Venture Investments

Loans receivable are carried at the amount of the funds advanced less accumulated provision. When conditions of the loan agreement are not met, the loan becomes due and receivable.

Investments in preferred shares are carried at cost, or at cost less an allowance for loss on realization where there has been a decline in value.

Investments in which the Corporation exercises significant influence are accounted for using the equity method.

Provision for loss on venture investments is determined following a detailed review of the venture investments and specific provisions are made for those venture investments known to be in difficulty. Provision for loss on venture investments include loan receivable, loss on value of preferred shares and provision for share of losses in common shares.

2. Accounting Policies (continued)

(e) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is recorded by the straight line method at rates set out below:

Buildings	5-20%
Trailers	30%
Equipment	10-50%
Office furniture and equipment	10-25%
Leasehold improvements	20-50%
Computer equipment	20-50%
Vehicles	20-30%
Vessels	20%

Additional amortization on capital assets used in those subsidiaries which are reliant on subsidies from the Corporation to maintain operations is provided for in order to fully amortize the asset over five years or the period of approved subsidy, whichever is less.

(f) Revenue

Revenue is recognized on an accrual basis.

(g) Business Development Expenses

Business Development expenses include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals which have been approved by the Board of Directors in accordance with the Corporation's Investment Guidelines. It is the Corporation's policy to charge these expenses to current year operations. The expenses are funded by the capital contribution received.

(h) Employee Leave Benefits

Under their conditions of employment, employees qualify for annual leave. Annual leave is accrued as earned by employees and is payable within one fiscal year.

(i) Pension Contributions

The Corporation and its employees make contributions to registered retirement pension plans. The Corporation matches contributions made by employees up to established limits. The contributions to this defined contribution plan represent the total liability of the Corporation and are recognized in the accounts on a current basis.

2. Accounting Policies (continued)

(j) Contributions from the Government of the Northwest Territories

The Corporation receives two types of contributions from the Government of the Northwest Territories as set out below. These contributions are used for the purpose setup in the contribution agreements and are not repayable.

The **operating contribution** is used for the purpose of financing head office operations of the Corporation. The operating contribution is recognized as revenue in the year in which it is approved by the Legislative Assembly of the Government of the Northwest Territories.

The **capital contribution** is allocated at the discretion of the Board of Directors to contributed equity for the purposes of acquiring capital and venture investments, purchasing capital assets for the Corporation and to operations (See Note 4), providing subsidies to subsidiaries based on need, providing project contributions to approved incorporated investments and for paying business development expenses.

The amount of the capital contribution approved by the Board for investment in majority-owned subsidiaries and for acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as Contributed Equity - Capital Investments and is recognized when approved by the Legislative Assembly of the Government of the Northwest Territories.

The amount of the capital contribution approved by the Board for investment in loans receivable, preferred shares or non-controlling interests in common shares is recorded as Contributed Equity - Venture Investments and is recognized when approved by the Legislative Assembly of the Government of the Northwest Territories.

The amount of the capital contribution approved by the Board for providing subsidies to the subsidiaries is recognized as revenue in the year that the subsidy is paid to the subsidiary. A subsidy contribution which has not been expended at year end may be carried forward to the following year and is recorded as Deferred Subsidy Contribution.

3. Overexpenditure

Sub-section 16(4) of the Northwest Territories Development Corporation Act requires the Corporation to obtain Financial Management Board's approval when subsidies to subsidiaries exceed the prescribed maximums approved by the Board. The Corporation overexpended subsidies approved by the Financial Management Board for Northern Forest Products Ltd. by $747,320. Conversely, the Corporation underexpended subsidies approved by the Financial Management Board for Great Slave Lake Forest Products Ltd. by $747,320.

4. Government Contributions

	1996	1995
Government of the Northwest Territories		
Capital		
Contribution for subsidies to subsidiaries	$ 3,678,168	$ 2,293,900
Project contributions	352,406	224,650
Contribution for business development expenses	98,523	128,616
	4,129,097	2,647,166
Operating		
Contribution to head office	987,492	889,000
Federal and territorial subsidies to subsidiaries	480,594	330,276
	$ 5,597,183	$ 3,866,442

5. Deferred Contributions

This amount represents subsidy and capital contributions from the Northwest Territories Development Corporation to its subsidiaries during the period January 1, 1996 to March 31, 1996. Subsidiary year ends are not coterminous with that of the Corporation (as explained in Note 2(a)). Accordingly, contributions made in this period have been recognized in the records of the parent as at March 31, 1996, but not in the subsidiaries' financial statements as at December 31,1995.

No significant events took place between the subsidiaries' year end and that of the parent.

The subsidiaries changed their year end from December 31st to March 31st, effective March 31, 1997.

6. Reserve Funds

Pursuant to sections 16 and 17 of the Northwest Territories Development Corporation Act, the Corporation is required to establish a Capital Reserve Fund and a Venture Reserve Fund, respectively. The Corporation is to deposit to the Funds an amount equal to 10% of each capital and venture investment, up to a prescribed maximum of $1 million each.

The Corporation may use the Funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns. The Corporation is required to return amounts in the Capital Reserve Fund that exceed the prescribed maximum of $1 million to the Consolidated Revenue Fund of the Government of the Northwest Territories. The Corporation is only required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of $1 million.

	1996	1995
Capital Reserve Fund		
Opening reserve	$ 370,583	$ 615,604
Current reserve	326,009	282,979
Approved reserve drawdowns	(492,000)	(528,000)
Ending reserve	**204,592**	370,583
Venture Reserve Fund		
Opening reserve	188,831	248,386
Current reserve	29,435	(39,555)
Approved reserve drawdowns	-	(20,000)
Ending reserve	**218,266**	188,831
	$ 422,858	$ 559,414

7. Venture Investments

	1996	1995
Loan receivable		
Uqqurmiut Inuit Artists Association, non-interest bearing, for the purpose of financing building costs, maturing April 1, 2001	$ 679,000	$ 679,000
Less: Provision for loss	(679,000)	(679,000)
	-	-
Investments in preferred shares		
NCSTV Ltd.	650,000	650,000
Marathon Waterworks Ltd.	437,401	437,401
953801 N.W.T. Ltd. (Rae-Edzo)	294,350	-
175119 Canada Inc. (Norweta Cruises)	238,311	238,311
923095 N.W.T. Ltd. (Branson's Lodge)	263,500	263,500
902848 N.W.T. Ltd (Great Bear Lake Lodges)	250,000	250,000
933273 N.W.T. Ltd. (West Baffin)	250,000	250,000
Wekweti Development Corporation	220,000	220,000
Red River Incorporated Band Ltd.	100,000	100,000
	2,703,562	2,409,212
Less: Provision for loss	(1,745,187)	(1,671,587)
	958,375	737,625
Investments in common shares		
Kakivak Fisher Foods Ltd. 30% of common shares	1	1
Less: Share of losses	(1)	(1)
	-	-
Marathon Waterworks Ltd. 49.7% common shares (99)	99	99
Less: Share of losses	(99)	(99)
	-	-
	$ 958,375	$ 737,625

Investments in preferred shares carry the right of conversion to common shares. This right may result in the holding of a controlling interest under certain circumstances. Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments.

8. Capital Assets

	Cost	Accumulated Amortization	1996 Net Book Value	1995 Net Book Value
Land	$ 3,197	$ -	$ 3,197	$ 3,197
Construction in progress	-	-	-	322,646
Buildings	11,854,417	8,300,738	3,553,679	5,479,166
Trailers	194,738	163,806	30,932	48,456
Equipment	3,344,036	2,754,885	589,151	1,355,433
Office and equipment	421,069	260,717	160,352	139,861
Leasehold improvements	525,199	363,839	161,360	35,515
Computer equipment	346,765	240,941	105,824	139,187
Vehicles	196,744	158,046	38,698	85,433
Vessels	253,754	183,954	69,800	100,385
	$ 17,139,919	$ 12,426,926	$ 4,712,993	$ 7,709,279

9. Bank Indebtedness

Bank indebtedness represents a demand loan secured by a debenture over inventory and capital assets. Interest is at prime plus 2%.

10 Contributed Surplus

Contributed surplus arose on the transfer of net assets from the Government of the Northwest Territories.

11. Change in Non-cash Operating Working Capital

	1996	1995
Accounts receivable	$ 466,493	$ (247,805)
Due from the Government of the Northwest Territories	(67,951)	67,015
Deferred contributions	384,116	144,919
Inventory	(936,076)	(383,985)
Deposits and prepaid expenses	133,827	(91,195)
Accounts payable and accrued liabilities	422,161	492,047
Deferred revenue - GNWT	356,508	-
	$ 759,078	$ (19,004)

12. Commitments

Prior to March 1996, the Corporation entered into an agreement with Nuni (YE) Forest Products Ltd. to acquire certain buildings and equipment at market value, appraised at $260,196, to be owned and operated by a subsidiary company, Great Slave Lake Forest Products Ltd. During September 1993, Great Slave Lake Forest Products Ltd. began using the buildings and equipment in its operations. Consideration for these assets was to be satisfied by the issuance of Class B non-voting shares in Great Slave Lake Forest Products Ltd. At March 31, 1996 these shares had not been issued. These consolidated financial statements include the buildings and equipment in capital assets with the corresponding liability in accounts payable.

The Corporation is committed under several operating leases for rental of office space at the future minimum payments as set out below:

	1996	1995
1996	$ -	$ 94,349
1997	184,864	83,153
1998	202,591	83,153
1999	182,126	83,153
2000	141,424	83,153
2001	45,200	-
	$ 756,005	$ 426,961

13. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

14.Subsequent Events

An April 3, 1996 Arviat Stoneworks Ltd. was incorporated. On November 17, 1997 Arviat Stoneworks Ltd. changed it name to Kiluk Ltd. for the purpose of operating a sewing business in the community of Arviat.

On April 7, 1997 an electrical fire destroyed the interior of the meat and fish processing facility of Keewatin Meat & Fish Ltd. in Rankin Inlet. Damages in the amount of $1,128,000 were sustained and the interior of the facility is currently being rebuilt.

On May 7, 1997 the Corporation received FMB approval to reclassify approximately $3.2 million of working capital advances to subsidy, effective for March 31, 1997.

On June 28, 1997 Arctic Canada Wholesale Ltd., Arctic Canada Gift Boutique Ltd. and Arctic Canada Foods Ltd. were amalgamated into one company named Arctic Canada Trading Ltd.

On June 30, 1997 Beaufort-Delta Crafts Ltd., Aklavik Furs Ltd. and Tuktoyaktuk Furs Ltd. were amalgamated into one company named Aklavik and Tuktoyaktuk Furs Ltd.

On December 31, 1997 Jessie Oonark Ltd. reoccupied its premises.

Subsequent to year end, the Corporation has invested in the following venture investments: Great Circle Entertainment Ltd. and Dene Fur Clouds.

The subsidiaries changed their year end from December 31st to March 31st, effective March 31, 1997.

Arctic Canada Trading Ltd., formally Arctic Canada Wholesale Ltd.and Arctic Canada Gift Boutique Ltd.,entered into various leases with terms from one to five years which are reflected in the Commitment note.

15. Segmented Information

	Arctic Foods	Light Manufacturing	Fine Arts & Souvenirs	Lumber	Wholesale Retail Stores	Subsidiaries Total	Inter-Segment	Corporate	1996 TOTAL	1995 TOTAL
Sales	$ 2,554,835	$ 995,216	$ 622,437	$ 868,375	$ 3,915,184	$ 8,956,047	$ (2,590,664)	$ -	$ 6,366,383	$ 7,293,693
Net loss from operations	$ 3,753,099	$ 2,342,610	$ 1,470,466	$ 2,535,666	$ 1,013,418	$ 11,115,259	-	$ 1,033,063	$ 12,148,322	$ 9,362,288
Amortization	$ 2,706,293	$ 1,107,079	$ 361,115	$ 764,574	$ 610,616	$ 5,549,677	-	$ 169,995	$ 5,719,672	$ 4,366,281
Assets										
Current	$ 855,033	$ 759,538	$ 460,933	$ 868,037	$ 1,894,079	$ 4,857,620	-	$ 1,844,428	$ 6,302,048	$ 7,887,161
Non-current	2,363,107	282,240	474,663	-	532,720	3,652,730	-	2,441,496	6,094,226	9,906,318
	$ 3,218,140	$ 1,041,778	$ 935,596	$ 868,037	$ 2,226,799	$ 8,310,350	-	$ 4,085,924	$ 12,396,274	$ 16,863,499
Capital expenditures	$ 1,014,814	$ 472,771	$ 472,155	$ (12,619)	$ 666,335	$ 2,633,456	-	$ 89,930	$ 2,723,386	$ 3,364,657

Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services.

Northwest Territories Development Corporation

Schedule 1 - Consolidated Selling and Administrative Expenses

For the years ended March 31,	1996	1995
Salaries and wages	$ 2,835,159	$ 2,750,225
Office and general	652,120	624,312
Professional fees	431,292	503,606
Travel	450,267	478,706
Advertising and promotion	347,372	447,265
Utilities	404,359	264,341
Building expense	270,736	-
Rent	230,814	205,281
Telephone	200,753	186,640
Board members	141,505	137,102
Workshops	213,887	85,091
Bad debts	79,102	65,266
	$ 6,257,366	$ 5,747,835